

Performance Based Co-Management Contracts



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What are PBCs?

- These contracts provide that payments are made based on the achievement of mutually agreed upon performance goals.
- Goals includes:
 - outcomes
 - outputs
 - performance standards

What is NRW-PBCs?

1. Non-Revenue Water (NRW) is the variance between the amount of water billed to consumers, compared to the amount produced and distributed.
1. NRW-PBCs- the outsourcing of technical, commercial and construction activities with respect to NRW reduction, while providing the Contractor with incentives to achieve the desired results

TYPES OF PBCs

- Design Build-Operate Maintain (DBOM) Contracts
- 24/7 Self-Optimizing Contracts
- Cost-Plus Contract
- Incentivized Program Manager/ Co-Management Contracts

Design Build-Operate Maintain (DBOM) Contracts

- Negotiated for the design, construction, operation, and maintenance of an asset.
- Financing provided by the public sector.
- High levels of incentives and risk transfer by making the contractor responsible for all costs.
- Reducing physical losses is a priority.
- Utility wants DMAs to aid in loss reduction.
- The utility want to achieve results relatively quickly.

24/7 Self-Optimizing Contracts

- Aims at making conscious improvements to reduce contract risks and increase contract value.
- Provides the contractor with incentives based on the value to the utility of key outputs:
 - Customers receiving 24/7 service delivery
 - Growth in collections
 - Inputs such as bulk water used

Cost-Plus Contract

- Pays the Contractor for work done on NRW-reduction at actual cost, plus a margin.
- The 'plus' component would be a standard profit element on top of costs, typically less than 10 percent.
- The Cost-Plus contract is quick to implement, but typically does not maximize value for money

Incentivized Program Manager/ Co-Management Contracts

- A professional services contract.
- Utility pays for a team of experts to design, procure, and supervise NRW-reduction works.
- The program manager is paid a program management fee—typically around 10 percent of the value of the works—and is also incentivized with performance pay for improvements on specified key performance indicators.

Advantages Co-Management Contracts

- Infrastructural Contracts
- GIS/Geo-fencing/Geo-referencing Activities
- Metering
- Leak Repairs
- Analytics
- Hydraulic Modelling

Drawbacks of Co-Management Contracts

- Commercial Loss:
 - No structure in place.
 - No structure in place to shadow the Contractor.
- Metering:
 - Contractor should be allowed to bring in meters instead of sponsors.
- No communication/ Social Marketing

Revenue vs Collections

- Collections- actual money collected.
- Revenue- assumption of the money owing.
- Types of Revenue:
 - Estimated
 - Actual/Billed

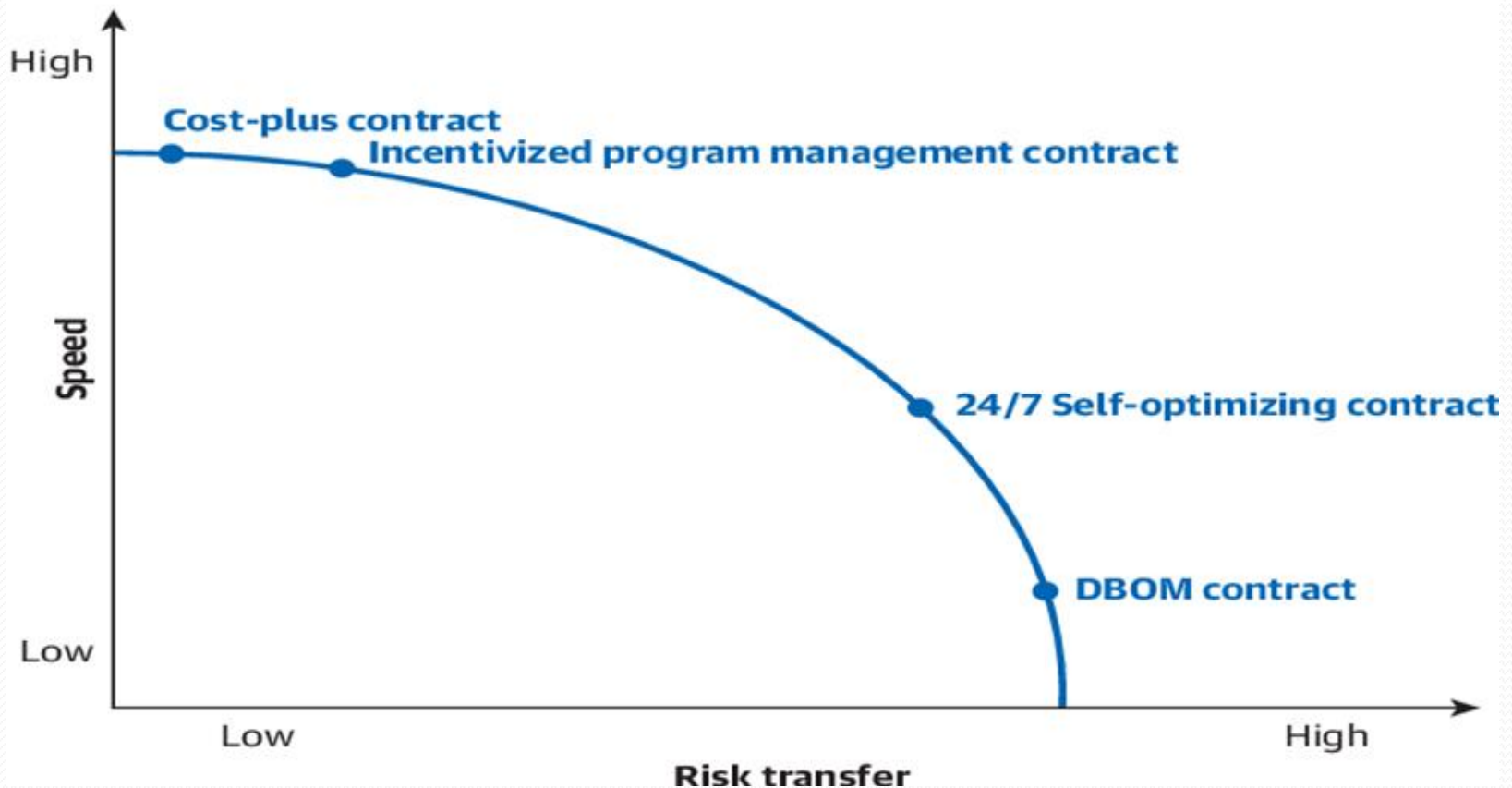
Collections/Billing Ratio in Relation to NRW

- NRW must have an inversely proportional relationship with Collections.
- This criteria/condition should be given at the incremental stage of the contract.
- As NRW reduces, so too should collections increase.

PROJECT RISKS



RISK TRANSFER



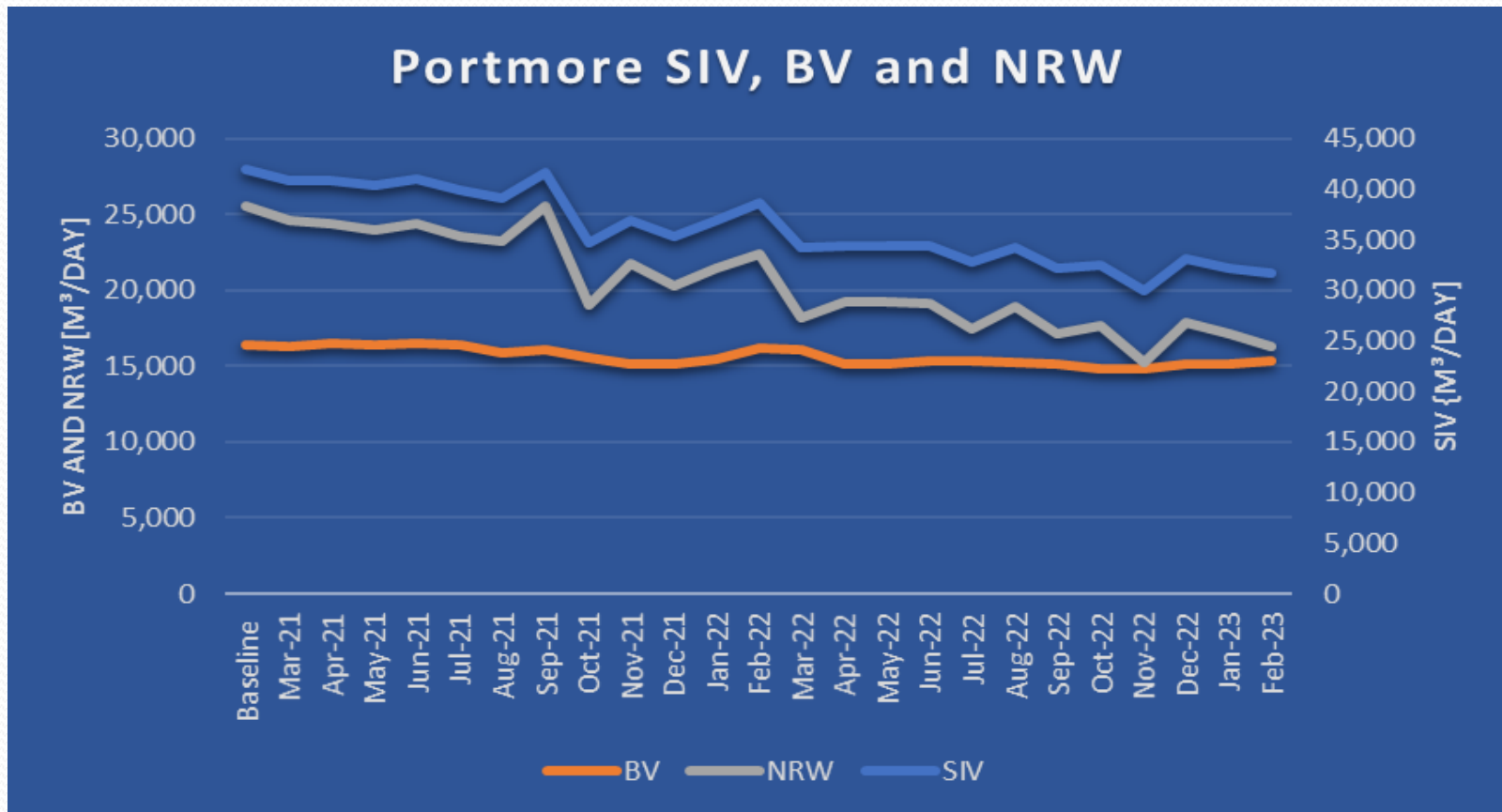
Socially Challenged Areas (SCAs)

- SCAs are usually ultra vires to the contract. As the expert, the most challenging areas (SCAs) should undoubtedly be their responsibility.
- Lack of social Intervention
- Construction aspect- universal metering; a fixed cost component.
- Commercial Loss aspect- lacks structure/ needs more structure.

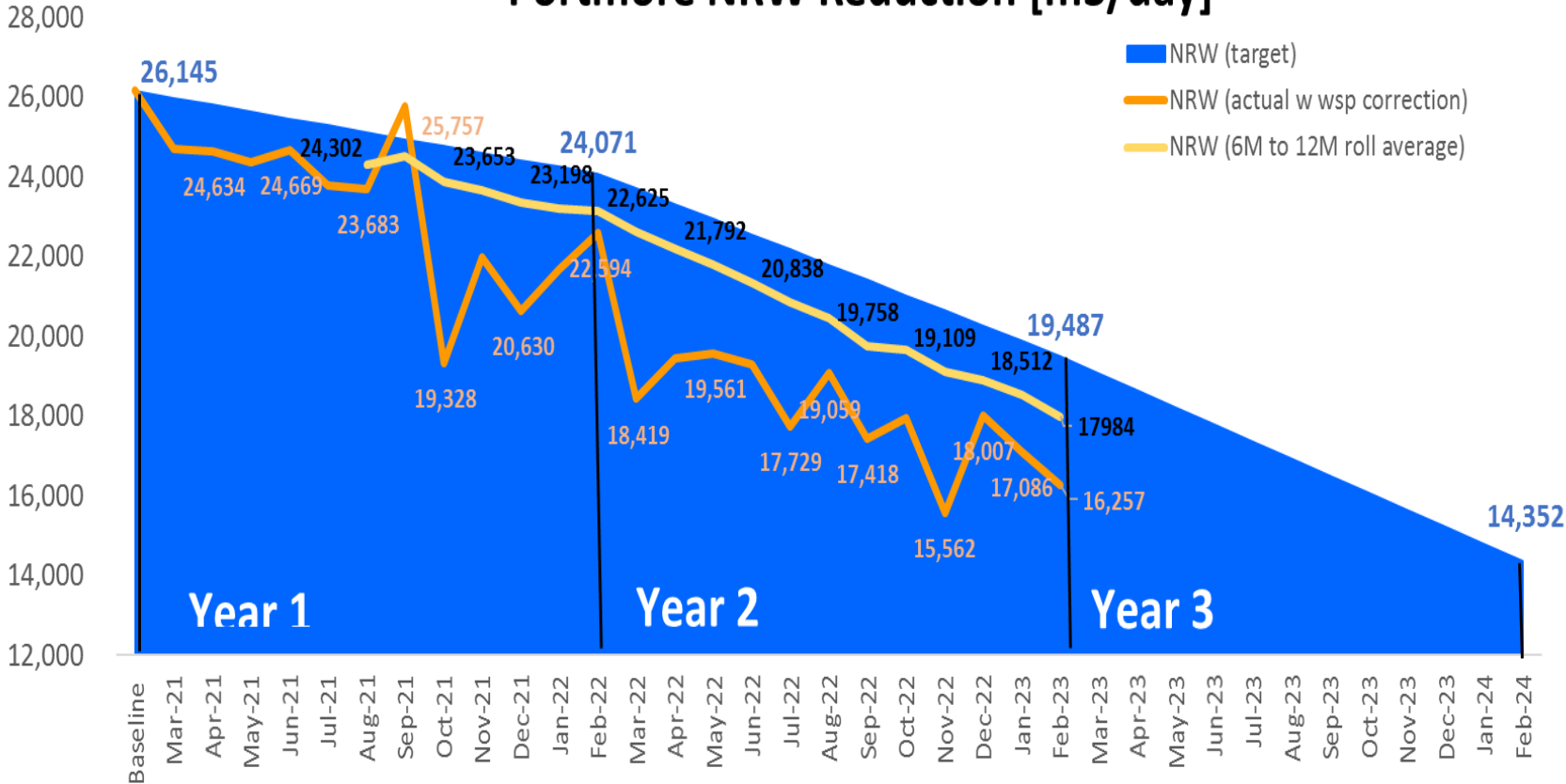
Reduction of System Input Volume (SIV)

- Leak repairs
- Replacement of old meters
- Metering all Commercial accounts
- Reduce inflow in the areas

PORTMORE SIV, BV AND NRW



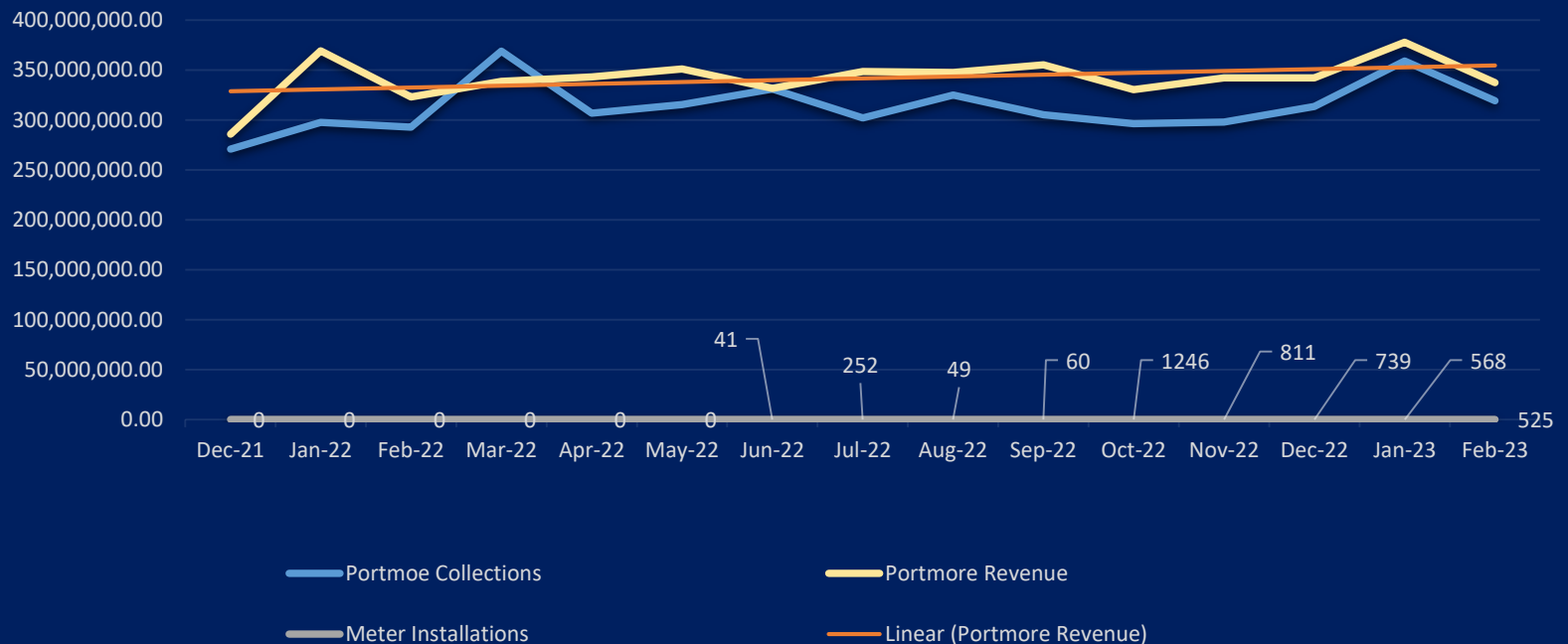
Portmore NRW Reduction [m3/day]



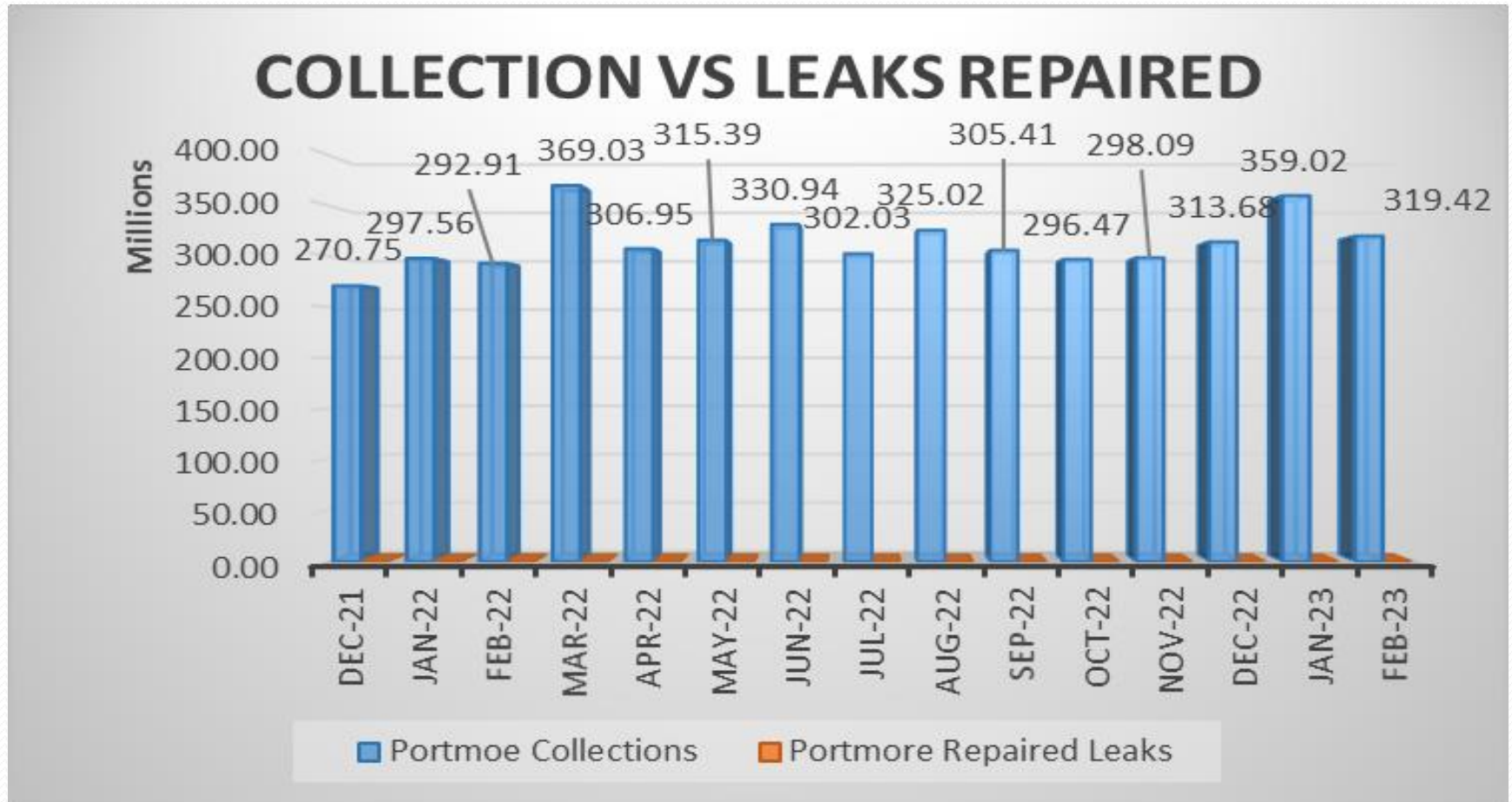
Collections/ Revenue/ Meter Installation

Installation Dec -2021 to Feb -2023

COLLECTIONS/REVENUE/ METER INSTALLATION COMPARISON



Collections in Relation to Repaired Leaks



Recommendation/Conclusion

- NRW must have an inversely proportional relationship to collections/Billing ratio.
- Project Risk -Socially Challenged Areas (SCAs) are mostly ultra vires to the Contractor and does not form part of the contract.
- Audit phase should be independent of Contractor.

Recommendation/Conclusion

Cont'd

- Pipe replacement should follow standard operating procedures.
 - 6' and above with 4 or more leaks per km should be replaced. Thus forming a part of the contractual framework.

QUESTIONS

